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ST. MARY PARISH LIBRARY

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2009

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/28/10

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INDEPENDENT AUDITOR'S REPORT

Board of Control
St. Mary Parish Library
Franklin, Louisiana

We have audited the accompanying financial statements of the governmental activities and each major fund of the St. Mary Parish Library ("Library"), a component unit of the Parish of St. Mary, as of and for the year ended December 31, 2009 which collectively comprise the Library's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library, as of December 31, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 6, 2010, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The St. Mary Parish Library has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The budgetary comparison information on pages 17 and 18 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 6, 2010

BASIC FINANCIAL STATEMENTS

ST. MARY PARISH LIBRARY

Statement of Net Assets
December 31, 2009

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash	\$ 3,877,143
Receivables (net of allowance for uncollectibles):	
Ad valorem taxes	2,304,933
Other	545
Prepaid expenses	49,458
Due from other governmental units	<u>38,500</u>
Total current assets	<u>6,270,579</u>
Capital assets:	
Land	119,643
Books	928,219
Buildings and improvements	3,852,085
Equipment and furniture	636,851
Accumulated depreciation	<u>(1,859,815)</u>
Total capital assets, net of accumulated depreciation	<u>3,676,983</u>
Total assets	<u>\$ 9,947,562</u>
LIABILITIES	
Current liabilities:	
Accrued liabilities	\$ 48,820
Due to other governmental units	<u>78,473</u>
Total liabilities	<u>127,293</u>
NET ASSETS	
Invested in capital assets	3,676,983
Unrestricted	<u>6,143,286</u>
Total net assets	<u>9,820,269</u>
Total liabilities and net assets	<u>\$ 9,947,562</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH LIBRARY

Statement of Activities Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue And Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 78,473	\$ -	\$ -	\$ -	\$ (78,473)
Culture and recreation	<u>2,085,554</u>	<u>6,798</u>	<u>10,400</u>	<u>2,442,439</u>	<u>374,083</u>
Total governmental activities	<u>\$ 2,164,027</u>	<u>\$ 6,798</u>	<u>\$ 10,400</u>	<u>2,442,439</u>	<u>295,610</u>
General revenues:					
Ad valorem taxes					2,369,664
State revenue sharing					55,589
Interest income					25,557
Miscellaneous					<u>76,208</u>
Total general revenues					<u>2,527,018</u>
Change in net assets					2,822,628
Net assets, beginning as restated					<u>6,997,641</u>
Net assets, ending					<u>\$ 9,820,269</u>

The accompanying notes are an integral part of this statement.

ST. MARY PARISH LIBRARY

Balance Sheet Governmental Funds December 31, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash	\$ 1,519,384	\$ 2,357,759	\$ 3,877,143
Receivables -			
Ad valorem taxes	2,304,933	-	2,304,933
Other receivables	545	-	545
Prepaid expenses	49,458	-	49,458
Due from other governmental units	38,500	-	38,500
Total assets	<u>\$ 3,912,820</u>	<u>\$ 2,357,759</u>	<u>\$ 6,270,579</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accrued liabilities	\$ 48,820	\$ -	\$ 48,820
Deferred revenue	376,003	-	376,003
Due to other governmental units	78,473	-	78,473
Total liabilities	503,296	-	503,296
Fund balances:			
Unreserved	3,409,524	2,357,759	5,767,283
Total liabilities and fund balances	<u>\$ 3,912,820</u>	<u>\$ 2,357,759</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 3,676,983

Deferred revenues are not considered current financial resources and are reported as a liability in the funds 376,003

Net assets of governmental activities \$ 9,820,269

The accompanying notes are an integral part of this statement.

ST. MARY PARISH LIBRARY

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended December 31, 2009

	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:			
Taxes	\$ 2,219,011	\$ -	\$ 2,219,011
State grants	10,400	-	10,400
Parish grants	-	2,442,439	2,442,439
State revenue sharing	56,221	-	56,221
Interest income	19,621	5,936	25,557
Other sources	83,006	-	83,006
Total revenues	<u>2,388,259</u>	<u>2,448,375</u>	<u>4,836,634</u>
Expenditures:			
Current -			
General government:			
Administrative			
Sheriff's fee	78,473	-	78,473
Culture and recreation:			
Salaries and wages	888,370	-	888,370
Administrative	112,523	-	112,523
Group insurance	94,358	-	94,358
Utilities and telephone	168,364	-	168,364
Professional fees	27,128	-	27,128
Advertising, dues and subscriptions	629	-	629
Equipment rentals	2,074	-	2,074
General insurance	52,634	-	52,634
Unemployment	1,350	-	1,350
Travel	15,474	-	15,474
Supplies	199,137	79,361	278,498
Repairs and maintenance	71,019	9,918	80,937
Miscellaneous	38,751	-	38,751
Rental books and paperbacks	71,674	-	71,674
Uniforms	6,996	-	6,996
Capital outlay-			
Culture and recreation:			
Books	184,169	-	184,169
Buildings and improvements	-	541,229	541,229
Furniture and equipment	18,492	4,752	23,244
Total expenditures	<u>2,031,615</u>	<u>635,260</u>	<u>2,666,875</u>
Net change in fund balance	356,644	1,813,115	2,169,759
Fund balance, beginning	<u>3,052,880</u>	<u>544,644</u>	<u>3,597,524</u>
Fund balance, ending	<u>\$ 3,409,524</u>	<u>\$ 2,357,759</u>	<u>\$ 5,767,283</u>

(continued)

ST. MARY PARISH LIBRARY

Statement of Revenues, Expenditures, and Changes in Fund Balances (continued)
Governmental Funds
Year Ended December 31, 2009

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities:

Amounts reported for governmental activities in the statement
of activities are different because:

Net change in fund balances - governmental funds	\$ 2,169,759
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Governmental funds report capital outlays as expenditures, however, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period	502,848
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Some revenues reported in the statement of activities are not considered current financial resources and are not reported as revenues in governmental funds	<u>150,021</u>
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Change in net assets of governmental activities	<u>\$ 2,822,628</u>
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The accompanying notes are an integral part of this statement.

ST. MARY PARISH LIBRARY

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Mary Parish Library ("Library"), which is a component unit of the Parish of St. Mary, was created under Louisiana Revised Statute 25:211. The Library operates under a Board of Control. The purpose of the Library is to provide library facilities to residents within its boundaries.

The accounting and reporting policies of the Library conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the Library's executive and legislative branches (the Board of Control). Control by or dependence on the Library was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibilities.

The Library is a component unit of the Parish of St. Mary.

Government-Wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of the government. Both the government-wide and fund financial statements categorize primary activities as governmental.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Taxes and items not properly included among program revenues are reported as *general revenues*.

A separate financial statement is provided for the governmental funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues in the year for which they are levied.

ST. MARY PARISH LIBRARY

Notes to Financial Statements (continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon enough thereafter to pay liabilities for the current period. For this purpose, the Library considers revenues to be *available* if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Ad valorem taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Ad valorem taxes are recognized as revenues in the year in which such taxes are levied and billed to the taxpayers. Other major revenues that are considered susceptible to accrual include earned grant revenues and other intergovernmental revenues, and interest on investments.

The Library has the following fund type:

Governmental Funds –

The focus of the governmental fund's measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Library:

General Fund –

The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund –

The Capital Projects Fund is used to account for the financing and the purchase and/or construction of capital assets.

Capital Assets

All capital assets purchased or acquired with an original cost of \$1,500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

ST. MARY PARISH LIBRARY

Notes to Financial Statements (continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Books	7 years
Buildings and improvements	20-40 years
Furniture and equipment	5-7 years

Budgetary Practices

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Library's Director prepares a proposed budget and presents it to the Board of Control prior to ninety days before the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. Any changes in the proposed annual operating budget require a majority vote of the Board of Control.
5. No later than the last regular meeting of the fiscal year, the Board of Control enacts an ordinance to adopt the annual operating budget for the ensuing fiscal year.
6. The Library Director, under the direction of the Board of Control, has the authority to alter budget amounts.
7. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. Budget appropriations lapse at year end.

Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market.

Compensated Absences

Employees earn annual vacation and sick leave at varying rates depending upon length of service. No liability has been accrued for compensated absences on the Library's financial statements due to immateriality.

ST. MARY PARISH LIBRARY

Notes to Financial Statements (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND INTEREST-BEARING DEPOSITS

At year-end, the carrying amount of the Library's deposits, including demand deposit accounts, was \$3,877,143, and the bank balance was \$3,885,977.

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Library's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. Since the Authority's total bank balances were fully insured, the deposits are not exposed to custodial credit risk.

NOTE 3 AD VALOREM TAXES

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied in September and are billed to the taxpayers by the Assessor in October. Billed taxes are due by December 31, becoming delinquent on January 1 of the following year. Taxes are budgeted and the revenue recognized in the year they are billed.

The taxes are based on assessed values determined by the Tax Assessor of St. Mary Parish and are collected by the Sheriff. The taxes are remitted to the St. Mary Parish Library net of deductions for Pension Fund Contributions.

For the year ended December 31, 2009, taxes of 5.72 mills were levied on property with net assessed valuations totaling \$421,130,807 and were dedicated to paying the administrative, operative and maintenance expenditures for the Library.

Total taxes levied during 2009 were \$2,408,869. Taxes receivable at December 31, 2009 consists of \$2,344,007 of which 1.62 percent of taxes levied or \$39,074 is considered uncollectible.

NOTE 4 DUE FROM OTHER GOVERNMENTAL UNITS

The amount due from other governmental units at December 31, 2009 consisted of \$37,060 of State Revenue Sharing and \$1,440 for reimbursement of internet utilization charges due from the State of Louisiana.

ST. MARY PARISH LIBRARY

Notes to Financial Statements (continued)

NOTE 5 OTHER RECEIVABLES

Other receivables at December 31, 2009 consist of \$545 for Workers Compensation reimbursement.

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Balances at Beginning of Year	Additions	Deletions	Balances at End of Year
Assets not being depreciated:				
Land	\$ 119,643	\$ -	\$ -	\$ 119,643
Construction in progress	1,659,670	-	(1,659,670)	-
Total capital assets not being depreciated	<u>1,779,313</u>	<u>-</u>	<u>(1,659,670)</u>	<u>119,643</u>
Capital assets being depreciated				
Books	950,699	184,169	(206,649)	928,219
Buildings and improvements	1,713,728	2,138,357	-	3,852,085
Furniture and equipment	641,489	85,786	(90,424)	636,851
Total capital assets being depreciated	<u>3,305,916</u>	<u>2,408,312</u>	<u>(297,073)</u>	<u>5,417,155</u>
Less accumulated depreciation				
Books	(914,157)	(129,951)	206,649	(837,459)
Buildings and improvements	(445,339)	(81,851)	-	(527,190)
Furniture and equipment	(551,598)	(31,225)	87,657	(495,166)
Total accumulated depreciation	<u>(1,911,094)</u>	<u>(243,027)</u>	<u>294,306</u>	<u>(1,859,815)</u>
Capital assets being depreciated, net	<u>1,394,822</u>	<u>2,165,285</u>	<u>(2,767)</u>	<u>3,557,340</u>
Capital assets, net	<u>\$ 3,174,135</u>	<u>\$ 2,165,285</u>	<u>\$ (1,662,437)</u>	<u>\$ 3,676,983</u>

Depreciation expense in the amount of \$243,027 was charged to culture and recreation.

NOTE 7 RETIREMENT COMMITMENTS

Substantially all full-time employees of the St. Mary Parish Library participate in the Parochial Employees' Retirement System of Louisiana (Plan A). This system is a multiple-employer public retirement system (PERS) and is controlled and administered by a separate board of trustees.

ST. MARY PARISH LIBRARY

Notes to Financial Statements (continued)

Pertinent information relative to this plan follows:

Parochial Employees' Retirement System

Plan members are required to contribute 9.50 percent of their annual covered salary to the system while the Library is required to contribute the statutory rate of 12.75 percent for 2007-2008 and 12.25 percent for 2009 of the total annual covered salary. The Library's contributions to the system for years ended December 31, 2009, 2008, and 2007, were \$97,358, \$82,531, and \$76,981, respectively, equal to the required contribution for each year.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Parochial Employees' Retirement System of Louisiana, P. O. Box 14619, Baton Rouge, Louisiana 70898-4619.

NOTE 8 BOARD OF CONTROL

Members of the St. Mary Parish Library Board of Control at December 31, 2009 are as follows:

Russell Cremaldi
Peter Lipari
Glenna Kramer
Don T. Caffery, Jr.
Karla Vappie
Renee Vanover
Roger Busbice (resigned in April 2009)
Jason Watson (replaced Mr. Busbice)
Steve Bierhorst

No compensation was paid to these individuals during the year.

NOTE 9 RISK MANAGEMENT

The Library is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library has elected to purchase insurance coverage through the commercial insurance market to cover its exposure to loss. The Library is insured up to policy limits for each of the above risks. There were no significant changes in coverage's, retentions, or limits during the year ended December 31, 2009. Settled claims have not exceeded the commercial coverage's in any of the previous three fiscal years.

NOTE 10 RELATED PARTY

The St. Mary Parish Government transferred \$2,442,439 to the Library for improvements to the Library branches. Such transfers are recognized as a component of capital grants and contributions in the Library's financial statements.

ST. MARY PARISH LIBRARY

Notes to Financial Statements (continued)

NOTE 11 NET ASSET RESTATEMENT

Certain errors in the reporting of capital assets resulting in the understatement of net assets in the Library's previously issued financial statements have been corrected in the current year. These corrections resulted in the following change to beginning net assets:

	<u>Net Assets</u>
As previously reported	\$ 6,798,670
Restatements:	
Omitted reporting of capital assets	<u>198,971</u>
As restated	<u>\$ 6,997,641</u>

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY PARISH LIBRARY
General Fund
Budgetary Comparison Schedule
Year Ended December 31, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes-ad valorem	\$ 1,968,684	\$ 1,968,684	\$ 2,219,011	\$ 250,327
Intergovernmental:				
State revenue sharing	56,075	56,075	56,221	146
State grants	25,951	10,399	10,400	1
Miscellaneous:				
Interest	30,000	34,000	19,621	(14,379)
Other sources	61,000	79,925	83,006	3,081
Total revenues	<u>2,141,710</u>	<u>2,149,083</u>	<u>2,388,259</u>	<u>239,176</u>
Expenditures:				
Current -				
General government:				
Administrative				
Sheriff's fee	56,300	66,706	78,473	(11,767)
Culture and recreation:				
Salaries and wages	905,578	900,000	888,370	11,630
Retirement contributions	115,000	139,000	112,523	26,477
Group insurance	90,500	90,500	94,358	(3,858)
Utilities and telephone	130,000	190,000	168,364	21,636
Professional fees	57,500	48,390	27,128	21,262
Advertising, dues and subscriptions	1,250	750	629	121
Equipment rentals	2,500	2,100	2,074	26
General insurance	55,550	57,800	52,634	5,166
Unemployment	4,500	4,500	1,350	3,150
Travel	-	-	15,474	(15,474)
Supplies	66,250	175,000	199,137	(24,137)
Repairs and maintenance	66,300	83,100	71,019	12,081
Miscellaneous	29,700	42,000	38,751	3,249
Rental books and paperbacks	65,200	68,500	71,674	(3,174)
Uniforms	8,250	8,250	6,996	1,254
Capital outlay -				
Books	160,000	180,000	184,169	(4,169)
Furniture and equipment	30,000	47,500	18,492	29,008
Total expenditures	<u>1,844,378</u>	<u>2,104,096</u>	<u>2,031,615</u>	<u>72,481</u>
Net change in fund balances	297,332	44,987	356,644	311,657
Fund balance, beginning	<u>3,052,880</u>	<u>3,052,880</u>	<u>3,052,880</u>	<u>-</u>
Fund balance, ending	<u>\$ 3,350,212</u>	<u>\$ 3,097,867</u>	<u>\$ 3,409,524</u>	<u>\$ 311,657</u>

See accompanying note to budgetary comparison schedule.

ST. MARY PARISH LIBRARY

Note to Budgetary Comparison Schedule

(1) Basis of Accounting

**The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
Budgeted amounts are as originally adopted or as finally amended by the Library.**

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS

KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Control
St. Mary Parish Library
Franklin, Louisiana

We have audited the financial statements of the governmental activities and each major fund of the St. Mary Parish Library ("Library"), as of and for the year then ended December 31, 2009 which collectively comprise the Library's basic financial statements, and have issued our report thereon dated May 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Library's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit results and findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of audit results and findings as item 2009-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of audit results and findings as item 2009-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Library's response to the findings identified in our audit is described in the accompanying schedule of audit results and findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Library's Board of Control, the Louisiana Legislative Auditor, management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 6, 2010

ST. MARY PARISH LIBRARY

**Summary Schedule of Prior Year Findings
Year Ended December 31, 2009**

2008-1 Finding: Inadequate Segregation of Accounting Functions

CONDITION: Accounting and financial functions are not adequately segregated.

STATUS: This finding is unresolved. See current year finding 2009-1.

2008-2 Finding: Application of GAAP (generally accepted accounting principles)

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

STATUS: This finding is unresolved. See current year finding 2009-2.

ST. MARY PARISH LIBRARY

Schedule of Audit Results and Findings
Year Ended December 31, 2009

Part I. Summary of Auditor's Results:

An unqualified opinion was issued on the financial statements.

Significant deficiencies in internal control were disclosed by the audit of the financial statements and one of the conditions is considered a material weakness.

The audit did not disclose any instances of noncompliance which are material to the financial statements.

A management letter was not issued.

Part II. Findings required to be reported in accordance with *Governmental Auditing Standards*:

2009-1 Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

CRITERIA: SAS109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, AU §314.43 defines internal control as follows:

"Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT §501.03 states:

An entity's internal control over financial reporting includes those policies and procedures that pertain to an entity's ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both."

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties.

ST. MARY PARISH LIBRARY

Schedule of Audit Results and Findings (continued)
Year Ended December 31, 2009

2009-2 Application of GAAP (generally accepted accounting principles)

CONDITION: Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

CRITERIA: SAS112, *Communicating Internal Control Related Matters Identified in an Audit*, AU §325.18, states in pertinent part:

"Deficiencies in the following areas ordinarily are at least significant deficiencies in internal control:

- Controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles. Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls."

Furthermore, AU §325.32 identifies the following as a deficiency in the design of (internal) controls:

"Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements."

CAUSE: The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

Part III. Findings and Questioned Costs Relating to Federal Programs

The St. Mary Parish Library did not meet the requirements to have an audit performed in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133.

ST. MARY PARISH LIBRARY

**Management's Corrective Action Plan for Current Year Findings
Year Ended December 31, 2009**

Response to Finding 2009-1:

No response is considered necessary.

Response to Finding 2009-2:

The Library has evaluated the cost/benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and has determined that it is the best interest of the Library to outsource this task to its independent auditors and will review, approve, and accept responsibility for the content and presentation of the statements and related notes prior to issuance.